

State Tax Commission Annual Report – 2013

RECOMMENDATIONS TO THE MISSOURI LEGISLATURE SECTION 138.380(4), RSMO

The Missouri State Tax Commission is the agency charged with overseeing Missouri's property tax assessment system. Our responsibilities include providing recourse and appeals for taxpayers who disagree with the value or classification on their property, assisting county assessors, assessing property of railroads and utilities and ensuring that property assessments are fair and accurate.

Economic data for the State of Missouri reflects positive signs indicating the continuation of steady and sustained growth. This improving economic climate was expressed in assessment of centrally assessed property (railroad and utilities), which posted a record \$358 million.

Assessment data in 2013 provided somewhat mixed messages. The certified aggregate wealth of taxable tangible real and personal property reflected an overall 0.4% decrease when compared to 2012 assessed valuations. However, new construction of real property reflected an increase on a year over year basis for the first time since the 2007 tax year. We anticipate strong new construction figures in 2014. Overall, assessed valuations in the state stand at \$95.7 billion. The weighted aggregate property tax levy is \$6.55, reflecting a 2% increase over the previous year.

The property tax remains the most reliable and stable source of revenue providing essential services demanded by the public. In 2013, approximately \$6.5 billion of property tax revenue was generated to provide the financial foundation to fund public schools, local government and other local political subdivisions. In fact, there are over 2,800 taxing entities in this state that relies on property tax revenue. Property tax is the underpinning ensuring that autonomy is realized and retained at the local level.

Pursuant to Section 138.380(4) RSMo, the State Tax Commission respectfully submits to the General Assembly recommendations designed to improve the assessment program in the State of Missouri.

1. Sales Disclosure Declaration: The Commission respectfully recommends to the General Assembly that statutory language be enacted providing for the statewide utilization of a sales disclosure declaration. Undeniably, mandatory sales disclosure universally is recognized by the assessment community as the “silver bullet,” ensuring uniformity in the treatment of taxpayers in this state. The State Tax Commission cannot over-emphasize the need for sales disclosure in Missouri. We renew our appeal to the General Assembly to develop statutory language mandating the use of statewide certificates of value. Unequivocally, the most important tool for the assessor is the ability to secure critical market data accurately reflecting market behavior. Sales information is the cornerstone of an assessment program intended to provide uniform and equitable assessments.

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According to a survey published by the International Association of Assessing Officers (IAAO), thirty-six states have some form of sales disclosure codified in their state statutes and only six states, including Missouri, do not have either a sales disclosure or other instrument for which sales prices may be derived. In the State of Missouri, the political subdivisions of St. Louis City, St. Louis County, Jackson County and St. Charles County have passed, through local ordinances, certificates of value. The sales disclosure documents used in these jurisdictions represent nearly 50% of locally assessed real estate in the State of Missouri. Counties that do not possess certificate of value only receive a return of 15-25% on sales letters submitted. This low return is woefully inadequate to accurately represent market behavior.

In its review of State Tax Commission Ratio Study procedures, the IAAO recommends that the Commission and the Missouri Assessors' Association work with the General Assembly toward the implementation of state mandated sales price disclosure in all counties. The IAAO study points out that the American Bar Association's Tax Section has also issued a recommendation on disclosure of essential data concerning real property transfers. The IAAO cites the *IAAO Standard on Ratio Studies* which states that assessing officers in jurisdictions without laws mandating full disclosure work under a severe handicap and should seek legislation providing for such disclosure.

Assessment uniformity cannot be achieved on a consistent basis without the benefit of having accessibility to accurate sales data. The inadequate sales data severely thwarts the attempt by assessors to facilitate uniform and equitable assessments throughout the state. Passage of a statewide certificate of value will provide critical sales data which will pave the way for the full implementation of a sales/appraisal ratio study resulting in lower operational costs and more concrete results.

2. Cable Telephony Assessment: Technology in the field of telephony has been extremely fluid over the past few years. The lines of discipline between distinct industries have become blurred. Cable companies providing telephony services have now emerged and are providing telephony services in direct competition with traditional telephone companies.

Current statutory language does not enumerate cable telephony as a public utility and as such, valuation of tangible taxable property of cable telephony (Voice Over Internet Protocol) does not fall under the auspices of the State Tax Commission. It is anticipated that cable telephony providers have over \$15 million in assessed valuation in property that may escape taxation if the State Tax Commission does not centrally assess such properties.

The State Tax Commission respectfully requests amending Chapter 138 to include cable telephony as a public utility and thereby allowing the State Tax Commission

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to centrally assess all telephony services in Missouri thus ensuring uniformity in the treatment of taxpayers in this state.

3. Original Assessment of Gas Distribution Companies:

State statutes provide that the State Tax Commission has the exclusive power of original assessment of the distributable property of pipeline and other public utility companies. It is unclear in the statutes whether the State Tax Commission has the sole authority to value the tangible taxable property of gas distribution companies.

The State Tax Commission employs unitary valuation methodology to determine the valuation of public utility companies. The State Tax Commission ascertains the value of these companies and apportions the value to the local taxing jurisdictions. This methodology is favorable in that it allocates property of a system consisting of many miles of pipe which traverses several counties into a manageable taxable amount apportioned to a particular political subdivision.

Traditionally, gas distribution companies were locally based and did not cross county borders. It was reasonable for the local assessors to determine the value of such property. However, there are five gas distribution companies operating in excess of ninety counties, creating a situation in which the property is being assessed differently in each county thus resulting in the disparate treatment of similar property.

The Commission is respectfully recommending that the General Assembly amend the statutes to clarify the original assessment authority of the State Tax Commission to include gas distribution companies. Providing that authority will ensure the uniform and equitable treatment throughout the state of property owned by gas distribution companies.

The Commission looks forward to working in concert with the General Assembly sharing the common goal of improving the property tax system in Missouri.

Respectfully submitted,
STATE TAX COMMISSION OF MISSOURI
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